

Message Text

PAGE 01 FRANKF 05373 200944Z

44

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SUBJECT: PROPOSALS ON ASSETS FORMATION FOR GERMAN WORKERS

REF: STATE 158912

1. SUMMARY: FROM OUR CONVERSATIONS IT WOULD APPEAR THAT POTENTIAL AMERICAN INVESTORS IN GERMANY ARE DISCOURAGED BY THE ADVERSE EXCHANGE RATE AND FIERCE COMPETITION FOR SKILLED WORKERS, ALTHOUGH VARIOUS PROPOSALS TO ENLARGE WORKERS STAKE IN COMPANY AFFAIRS, SUCH AS MANDATORY EQUITY DISTRIBUTION SCHEMES, ARE ALSO FACTOR. FROM GERMANY STANDPOINT, HOWEVER, THEY MAY ONLY BE LOGICAL EXTENSIONS OF EXISTING PRATICES. WHILE AMERICAN BUSINESSMEN MAY BE IMPRESSED BY STATUTORY ROLE OF LABOR IN GERMANY, SOME POTENTIAL GERMAN INVESTORS IN THE US APPEAR TO BE CONCERNED ABOUT WHAT THEY CONSIDER TO BE GREATER REAL POWER OF AMERICAN UNIONS. END SUMMARY.

2. VARIOUS SCHEMES TO EXTEND CO-DETERMINATION(MITBESTIMMUNG) OF COMPANY AFFAIRS BY WORKERS REPRESENTATIVES TO ADDITIONAL BRANCHES OF INDUSTRY AND TO INCREASE LABORS VOICE IN SUCH AFFAIRS UP TO EQUALITY WITH MANAGEMENT AND TO LEGISLATE CAPITAL ACQUI-

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PAGE 02 FRANKF 05373 200944Z

SITION (VERMOEGENSBIILDUNG) BY EMPLOYEES HAVE BEEN PROPOSED OR FLOATED BY POLITICAL PARTIES, TRADE UNIONS, OTHER SPECIAL INTEREST GROUPS, PROFESSORS, ETC. THE MAJOR ONES HAVE BEEN PREPOTED BY THE EMBASSY OR ARE KNOWN TO WASHINGTON READERS OF GERMAN

NEWSPAPERS. WE LEAVE IT TO THE EMBASSY TO COMMENT ON THE LIKELIHOOD OF ANY OF THESE TO BE SUPPORTED BY THE GOVERNMENT AND ADOPTED BY THE PARLIAMENT AND IN WHAT TIME FRAME. THE FOLLOWING OBSERVATIONS ARE NOT BASED ON SCIENTIFIC STUDY BUT ON NUMEROUS CONVERSATIONS WITH GERMAN AND AMERICAN BUSINESSMEN, GERMAN POLITICIANS, AND TRADE UNIONISTS AND ARE OFFERED IN RESPONSE TO THE DEPARTMENTS REQUEST FOR COMMENTS THAT MIGHT HELP PUT THE SUGGESTIONS INTO A GERMAN-AMERICAN BUSINESS CONTEXT.

3. SUCH SCHEMES ARE GENERALLY NOT PROPOSED BY RADICAL LEFT-WINGERS OR OTHERS WHO FAVOR BASIC REORGANIZATION OF FRG MIXED ECONOMY: THESE PEOPLE RATHER ADVOCATE NATIONALIZATION OF INDUSTRY, BANKS, AND INSURANCE COMPANIES, EXPROPRIATION WITHOUT COMPENSATION, COMMUNALIZATION OF LAND, ETC. PROPOSALS TO EXTEND AND INCREASE CO-SETTERMINATION AND TO PROVIDE FOR DISTRIBUTION OF CAPITAL SHARES TO WORKERS AS A FORM OF PROFIT-SHARING ARE CONCEIVED AND ADVANCED BY PEOPLE WHO SEEK FURTHER REFORM OF THE FRG SOCIAL MARKET ECONOMY TO MAKE IT MORE HUMANE AND TO HEIGHTEN THE WORKERS SENSE OF PARTICIPATION IN AND RESPONSIBILITY FOR THE AFFAIRS OF THE COMPANY ON WHICH HE IS AS DEPENDENT (AND TO WHICH HE MAY BE AS DEVOTED) AS IS MANAGEMENT. EQUITY OWNERSHIP IS EXTREMELY NARROW IN GERMANY, AND IT IS HOPED THAT ACQUISITION OF SHARES BY WORKERS WOULD GIVE THEM A GREATER STAKE IN MAINTENANCE AND VITALITY OF PRESENT ECONOMIC SYSTEM. FOR THAT REASON SUCH PROGRAMS ARE ALSO OPPOSED BY ULTRA-LEFTISTS WHO WANT TO REPLACE PRESENT SYSTEM AND NOT REFORM IT.

4. CO-DETERMINATION IS FIRM FRATURE OF POST-WORLD WAR II GERMAN HEAVY INDUSTRY, AND WE NOTED RECENT STATEMENT BY FRG LABOR MINISTER THAT OVER ELEVEN MILLION GERMAN WORKERS ALREADY COVERED BY CAPITAL ACCUMULATION PLANS SET UP THROUGH COLLECTIVE BARGAINING AGREEMENTS. NVERTHELESS, PROPOSALS FOR NEW LEGISLATIVE PROGRAMS IN THESE TWO FIELDS ARE OPPOSED BY BUSINESS ORGANIZATIONS AND INDIVIDUAL ENTREPRENEURS AS FURTHER THREATS TO THEIR PREROGATIVES AND CAPACITY FOR DECISION MAKING. DEGREE LIMITED OFFICIAL USE
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PAGE 03 FRANKF 05373 200944Z

OF OPPOSITION VARIES GRATLY, AND MANY GERMANY BUSINESSMENT APPEAR RESIGNED TO ADJUSTING TO SUCH REFORMS AS INEVITABLE. MANAGEMENT OF INSUSTRIES WHERE CO-DETERMINATION ALREADY APPLIES HAVE LONG AGO LEARNED TO WORK WITH OR AROUND THE MEMBERS OF THE BOARD WHO REPRESENT LABOR AND HAVE GENERALLY FOUND THAT THESE DIRECTORS HAVE LITTLE OR NO DIFFICULTY IDENTIFYING WITH THE OVER-ALL WELFARE OF THE COMPANY AND NOT JUST OF THE WORK FORCE. RHEINLAND-PFALZ MINISTER-PRESIDENT HELMUT KOHL, NEW NATIONAL CHAIRMAN OF THE CDU OPPOSITION PARTY, HAS INT EH PAST FAVORED EXTENSION OF CO-DETERMINATION, AND EVEN CONSERVATIVE CHRISTIAN DEMOCRATS SUCH AS HESSEN CDU CHARIMAN DREGGER HAVE RECENTLY INDICATED THAT FURTHER REFORMS ARE NECESSARY.

STRONGER SUPPORT FOR SUCH REFORMS COMES FROM WITHIN GOVERNMENT COALITION PARTIES AND TRADE UNIONS, BUT ORTHODOX MARXISTS WITHIN SOCIAL DEMOCRATIC PARTY AND TRADE UNION FEDERATION ARE LEAST INTERESTED IN WORKERS BECOMING CAPITALISTS BY ACQUIRING SHARES OF EMPLOYERS (OR ANY OTHER) COMPANY.

5. WE SOMETIMES GET IMPRESSION THAT AMERICAN BUSINESSMEN IN GERMANY ARE MORE VEHEMENTLY OPPOSED TO SUCH REFORMS THAN THEIR GERMAN COUNTERPARTS. THE AMERICAN CHAMBER OF COMMERCE IN GERMANY HAS A COMMITTEE WHICH FOLLOWS THESE PROPOSALS VERY CLOSELY, AND INDIVIDUALS HAVE OCCASIONALLY SUGGESTED TO US THAT THE USG SHOULD INFORM THE FRG THAT IT WOULD OBJECT TO SUCH REFORMS ON THE GROUNDS THAT THEY WOULD CONSTITUTE EXPROPRIATION, DISCOURAGE FURTHER FOREIGN INVESTMENT, ETC. CO-DETERMINATION IS UNKNOWN IN THE U.S. (ALTHOUGH SOME COLLECTIVE BARGAINING AGREEMENTS GRANT UNIONS A LIMITED ROLE IN CERTAIN DECISIONS), BUT SO IS THE STATUTORILY-CREATED WORKS COUNCIL, WHILE AMERICAN BUSINESSMEN IN GERMANY HAVE HAD TO DEAL WITH BOTH. SHAREHOLDING BY WORKERS IN THE U.S. IS VERY WIDESPREAD, INCLUDING EMPLOYEE PENSION FUNDS THAT OWN MAJOR SHARE OF EMPLOYER (SEARS ROEBUCK) AND COMPANIES THAT SELL SHARES TO WORKERS-TO SAY NOTHING OF MANAGEMENT INCENTIVE STOCK OPTION PLANS-BY PAYROLL DEDUCTION AT LESS THAN MARKET PRICES (WESTER ELECTRIC). THESE PRACTICES PROVIDE ADDITIONAL COMPENSATION FOR EMPLOYEES, INCREASE THEIR INTEREST IN COMPANY AFFAIRS, REDUCE STAFF TURNOVER, ETC. THESE APPEAR TO BE THE MOTIVES BEHIND THE PRESENT GERMAN PROPOSALS AS WELL. PRESUMABLY, IT IS THE MANDATORY, STATUTORY ASPECT THAT AMERICAN BUSINESSMEN FIND MOST OBJECTIONABLE. FROM THE GERMAN STANDPOINT, HOWEVER, IT MIGHT BE LOGICAL TO REGULATE BY LAW PRACTICE ALREADY LIMITED OFFICIAL USE
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PAGE 04 FRANKF 05373 200944Z

AFFECTING A CONSIDERABLE NUMBER OF WORKERS. THE REFORMERS MAY BELIEVE THAT IF SHARE ACCUMULATION IS GOOD, IT SHOULD BE APPLIED UNIVERSALLY.

6. DUE TO DOLLAR DEVALUATION AND TIGHT GERMAN LABOR MARKET, WE HAVE NOT LATELY SEEN AMERICAN BUSINESSMEN SERIOUSLY CONTEMPLATING MAJOR NEW INVESTMENTS IN GERMANY. FRG ECONOMICS MINISTER HAS BEEN PERSONALLY AND PUBLICALLY ADVISING GERMAN INVESTORS TO CREATE JOBS ABROAD WHERE LABOR IS AVAILABLE, RATHER THAN ADDING FURTHER TO DEMAND FOR FOREIGN WORKERS IN GERMANY. WE DO SEE INCREASING NUMBER OF GERMAN BUSINESSMEN WHO ARE CONSIDERING DIRECT INVESTMENT IN U.S. AND WE SEEK TO ENCOURAGE THEM. AMONG THE REASONS WHICH SOME OF THEM HAVE MENTIONED FOR NOT PLUNGING AHEAD WITH SUCH PLANS IS A FEAR OF AMERICAN LABOR ORGANIZATIONS. DESPITE THE ABSENCE OF LEGISLATELY-BASED CO-DETERMINATION, WORKS COUNCILS AND EQUITY DISTRIBUTION SCHEMES, SOME GERMAN BUSINESSMEN APPEAR TO FEEL THAT AMERICAN TRADE UNIONS AND WORKER REPRESENTATIVES HAVE

MORE REAL POWER THAN THEIR GERMAN COUNTERPARTS. THE LESSON MAY

BE THAT THE FAMILIAR SYSTEM, REGARDLESS OF ITS DRAWBACKS-
WHICH MAY BE MORE APPARENT TO THE OUTSIDER-IS LESS AWESOME
THAN THE OTHER MANS SYSTEM. HARLAN

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